

Corporate Governance Report

Introduction

The regulatory structure for governing and controlling NOTE primarily consists of the Swedish Companies Act, applicable provisions for listed companies, the Swedish Code of Corporate Governance (the Code), International Financial Reporting Standards (IFRS), as well as internal guidelines.

Articles of Association

The Articles of Association are approved by the Annual General Meeting (AGM) and include a number of mandatory duties of a more fundamental nature in accordance with applicable legislation. They include stipulating that the Board of Directors should consist of a minimum of three and a maximum of ten ordinary members. Resolutions on amending the Articles of

Association may be passed by Annual or Extraordinary General Meetings.

Shareholders

At the end of 2019, NOTE had one shareholder, Johan Hagberg, representing more than 10% of the shares of the company. Johan Hagberg represented 20.3%.

For more information on the share and shareholders, see the NOTE share on pages 26–27.

Shareholders' meetings

Shareholders' meetings are the company's chief decision-making body, where shareholders exercise their voting rights. All shareholders recorded in the share register on the record date, and that have duly notified the company

of their participation, are entitled to participate in the Meeting and vote for their total holdings of shares, personally or by proxy. Each share corresponds to one vote. Individual shareholders that wish to have a matter considered at the Meeting can request this with NOTE's Board of Directors at the address published on the company's website, in good time prior to the Meeting.

Resolutions of the Meeting are published after the Meeting in a Press Release and the minutes of the Meeting are published on the website.

NOTE's AGM will be held in Stockholm, Sweden. The Annual General Meeting should be held within six months of the end of the financial year. The AGM considers matters relating to items including dividend to shareholders, adopting the Income Statement and Balance Sheet, discharging the Board members and CEO from liability, electing Board members, the Chairman of the Board and Auditors, and approving the guidelines for remunerating senior management and fees for the Board of Directors and Auditors.

Extraordinary General Meeting 2019

An EGM on 21 January 2019 elected Anna Belfrage, Kaj Falkenlund, Claes Mellgren and Charlotte Stjerngren as Board members. Johannes Lind-Widestam simultaneously left the Board, which then has seven Board members elected by shareholders' meetings, with Johan Hagberg serving as Chairman. The Meeting also resolved on a three-year incentive programme based on 400,000 share warrants for the company's CEO and President.

Laws and practice

More information on the laws and practice formalising Swedish corporate governance are available at sites including:

→ The Swedish Corporate Governance Board, www.bolagsstyrning.se, where the Swedish Code of Corporate Governance is stated.

→ NASDAQ Stockholm, www.nasdaqomx.com, which states the rules for issuers.

→ The Swedish Financial Supervisory Authority, www.fi.se, which states Authority's statutes and information on insiders.

NOTE's overall governance



Annual General Meeting 2019

NOTE's AGM was held on 25 April 2019 at Spårvagnshallarna in Stockholm, Sweden. Shareholders representing a total of 58.2% of the capital and votes attended the Meeting. The Meeting resolved on matters including re-electing Kjell-Åke Andersson, Anna Belfrage, Kaj Falkenlund, Johan Hagberg, Bahare Hederstierna, Claes Mellgren and Charlotte Stjerngren as Board members for the period until the next AGM is held. Johan Hagberg was elected Chairman. The AGM also approved fees in accordance with the Nomination Committee's proposal.

The Meeting approved the Board's proposal of a dividend to shareholders of SEK 0.70 per share and authorised the Board to decide on the purchase and transfer of treasury shares.

Nomination Committee

The AGM resolves on how the Nomination Committee is appointed. The AGM 2019 resolved that the Nomination Committee for the forthcoming AGM shall be formed by the four largest shareholders that wish to participate, each appointing a representative at least six months prior to the AGM, with the Chairman of the company's Board of Directors serving as convener.

If one or more of the shareholders waives its right when Nomination Committee members are to be appointed, the next largest shareholder is then offered the corresponding opportunity.

The duty of the Nomination Committee is to consult on, and submit proposals to, the AGM regarding:

- Election of a Chairman of the Meeting.
- Election of the Chairman of the Board and Board members.
- Directors' fees for the Chairman, other Board members and remuneration for Committee work.

Nomination Committee members for the AGM 2020

Committee member	Share of capital/votes, 31 Dec 2019, %
Johan Hagberg, personal holdings	20.30
Martin Nilsson, Catella Fondförvaltning	8.06
Niklas Johansson, Handelsbanken fonder	5.90
Thomas Tang, Mediuminvest A/S	4.99

→ Election and remuneration of the external Auditor.

→ Resolution on principles of composition of the Nomination Committee for the next AGM.

As part of its work, for the AGM 2020, the Nomination Committee has considered the appraisal of the work of the Board in the year. Proposals for new Board members have been prepared, which also consider NOTE's Diversity policy.

The Nomination Committee's proposed Board members, Directors' fees and election of Auditors will be presented in the convening notice for the AGM. A report on the work of the Nomination Committee will be presented at the AGM 2020.

No special remuneration was paid to the members of the Nomination Committee.

Diversity policy

NOTE's Diversity policy is adopted by the Board of Directors. The Chairman of the Board is responsible for communicating the policy to the Nomination Committee, which applies it for appointing Board members. The overall purpose is to identify Board members with the right competence and experience to manage NOTE's strategy work responsibly and successfully. Diversity in terms of age, gender, geographical origin, education and professional background are also considered.

No Board member should be subject to discrimination based on ethnic background, religion, physical or psychological disability, age, gender, sexual orientation or for any other reason.

Board of Directors

The duty of the Board of Directors is to manage the company's affairs on behalf of the shareholders. The Board of Directors judges the group's financial situation on an ongoing basis, determines budgets and annual financial statements. The Board of Directors is also responsible for formulating and monitoring the company's strategies through plans and objectives, decisions on acquisitions and divestments of operations, major investments, appointments and remuneration of the CEO and senior management, as well as ongoing monitoring of operations in the year.

Each year, the Board of Directors adopts an approvals list, finance policy, instructions for financial reporting and for the Board of Directors, and rules of procedure, which formalise matters including the segregation of duties between the Board of Directors and the CEO, alongside the Instructions for the CEO. The Chairman of the Board leads the Board of Directors' work and ensures that it is conducted in accordance with the Swedish Companies Act, applicable regulations for listed companies, including the Code and other laws and ordinances. The Chairman is also responsible for maintaining ongoing contact with the group management, and for ensuring that the Board's decisions are implemented appropriately.

The Chairman is also responsible for the yearly evaluation of the work of the Board, which is conducted through a survey provided to all Board members. The results are compiled and discussed

Board of Directors 2019

Board member	Position	Attendance statistics		
		Board meetings	Remuneration Committee	Audit Committee
Johan Hagberg	Chairman	6/6	2/2	-
Kjell-Åke Andersson	Member	6/6	-	1/1
Anna Belfrage	Member	5/6	-	3/3
Kaj Falkenlund	Member	4/6	-	-
Bahare Hederstierna	Member	5/6	2/2	-
Claes Mellgren	Member	4/6	-	-
Charlotte Stjerngren	Member	6/6	-	2/2
Christoffer Skogh	Employee representative, member	6/6	-	-

by the Board. The Chairman is also responsible for providing the Nomination Committee with access to this evaluation.

The Board has seven Board members elected by shareholders' meetings and two employee representatives, one being a deputy.

The Board of Directors has an all-round composition of sector knowledge and competence from Board work and management of listed companies as well as finance, accounting, structural change and sales, and strategic sourcing.

The work of the Board in 2019

Each scheduled Board meeting conducts a review of operations, results of operations and financial position of the group and outlook for the remainder of the year. In addition, the Board takes a standpoint on overall issues such as the company's strategy, sales and marketing, financing, budget and long-term operational planning.

The Board of Directors endeavours for NOTE to be an employer where all staff get an equal opportunity to work and develop. Employees' specific competences should also be valued, regardless of gender, ethnicity, sexual orientation, disability, age or social background. The Board of Directors encourages the integration of equal opportunities and diversity into all aspects of operations.

The Board of Directors held six meetings where minutes were taken in the year. Employees of the company participated in Board meetings to present reports. The company's Auditor attended one Board meeting in the year. The company's CFO served as secretary.

Audit Committee

The members of the Audit Committee are appointed at the Board meeting following election for one year at a time. The main duty of the Audit Committee is to consult on matters for the Board of Directors' decision. The Audit Committee is not authorised to reach decisions independently.

Reporting to the Board on issues considered at Audit Committee meetings is either in writing or orally at the following Board meeting.

After the AGM 2019, the members of the Audit Committee are Anna Belfrage and Charlotte Stjerngren. Prior to this, the members were Anna Belfrage and Kjell-Åke Andersson.

The duties of the Audit Committee are to:

- Work on quality-assuring financial reporting.
- Discuss the audit and the view of the company's risks with the Auditor.
- Follow up on external Auditors' reviews and appraise their work.

- Set guidelines for services in addition to auditing that the company may purchase from the Auditor.
- Support the Nomination Committee in preparing proposals for Auditors and their remuneration.
- Ensure that the company has systems for internal control.

The Audit Committee maintains close and regular collaboration with the group's finance function on internal and external reporting of financial information.

There is also a well-developed collaboration on matters of internal control, selection and appraisal of auditing policies and models. In the financial year 2019, the Audit Committee monitored compliance with the adopted guidelines and held three meetings with the company's Auditors, to discuss audit issues and internal controls. The Auditors' written reports were distributed to the Board of Directors after review and comment from the company.

The following main issues were considered:

- Following up on the Auditor's reporting on the financial statement and ongoing reviews.
- Appraisal of the Auditor's actions in the year.



NO

- Following up on the internal audit function's review in the year. The focus was on valuations of inventories, accounts receivable-trade and goodwill, and auditing foreign subsidiaries.

Remuneration Committee

The members of the Remuneration Committee are appointed at the Board meeting following election for one year at a time. In 2019, the Remuneration Committee members were Johan Hagberg and Bahare Hederstierna.

The duties of the Remuneration Committee are to:

- Consult on matters regarding remuneration principles, remuneration and other employment terms for group management.
- Monitor and evaluate programmes for performance-related pay for group management, subsidiary Presidents and other key individuals.
- Monitor and evaluate application of the guidelines for remuneration to senior management that the AGM has resolved on and applicable remuneration models and remuneration levels in the company.

In the financial year, the Board of Directors discussed remuneration issues and monitored compliance with adopted guidelines.

The following main issues were considered:

- Evaluation and approval of remuneration models for group management.
- Specifying the profitability-based, variable remuneration programme for group management, subsidiary Presidents and other key individuals, which ran during 2019.

After an evaluation, the Remuneration Committee concluded that:

- NOTE is following the guidelines for remunerating senior management that the AGM 2019 approved.
- Applicable remuneration models and levels are reasonable against the background of the company's operations.
- Compensation from the profitability-based, variable remuneration programme that ran during 2019 for group management, subsidiary Presidents and other key individuals amounted to SEK 2.6 million excluding social security contributions.

Guidelines for remuneration and other benefits for senior management

For information on these guidelines, refer to the formal annual accounts on page 41. For information on remuneration and other benefits, see Note 8, Employees, personnel expenses and remuneration to senior management, on page 54.

Auditors

The AGM appoints the Auditors. The Auditors review the company's annual accounts, consolidated accounts and accounting records, and the administration by the Board of Directors and CEO. The Auditor in Charge also presents an Audit Report to the AGM. The AGM 2019 re-elected Öhrlings PricewaterhouseCoopers AB as audit firm, with Niklas Renström as Auditor in Charge until the AGM 2020.

The group's operational governance

Chief Executive Officer

NOTE's CEO leads operating activities. This responsibility covers accounting issues, monitoring the group's strategies and business performance and ensuring that the Board of Directors receives the

necessary information to be able to take well-founded decisions. The CEO reports to the Board of Directors, informing them of how operations are progressing based on the decisions they have taken. Written instructions define the segregation of duties between the Board of Directors and the CEO.

Group management

NOTE's group management is responsible for various parts of operations. This responsibility includes the preparation and execution of the group's overall strategies.

During the financial year, group management held regular meetings to review results of operations, the conditions of operations and strategic and operational issues.

Governance of subsidiaries' operations

Subsidiaries' operations are followed up monthly on the basis of a number of operational targets, financial targets and key indicators.

Internal controls and risk management

Control environment

The segregation of roles and duties between the Board of Directors and CEO is determined annually at the Board meeting following election via the rules of procedure for the Board of Directors and CEO and instructions for financial reporting. Ongoing work to maintain effective internal controls has been delegated to, and is mainly managed by, the CEO and the group's finance function. NOTE also works in close collaboration with its Auditors.

The fundamental guidelines for internal control are managed via policies, instructions and similar governance documents. The content of these documents is updated and evaluated where necessary. The Board of Directors is responsible for key

governance documents, and the group's finance function is responsible for other documents. NOTE has also developed an internal reporting package for financial information, which is monitored monthly within the group.

Risk assessment

Through its operations, NOTE is exposed to a number of operational and financial risks. NOTE's finance policy states the limits within which financial risks should be managed. The finance policy is updated annually and adopted by the Board of Directors. NOTE also has a procedure for formalising management of the biggest risks in operations.

These risks are evaluated from a matrix of probability and degree of financial impact. Existing control measures for the biggest risks in this matrix have been documented and additional controls introduced where required. Guidelines and limits relating to

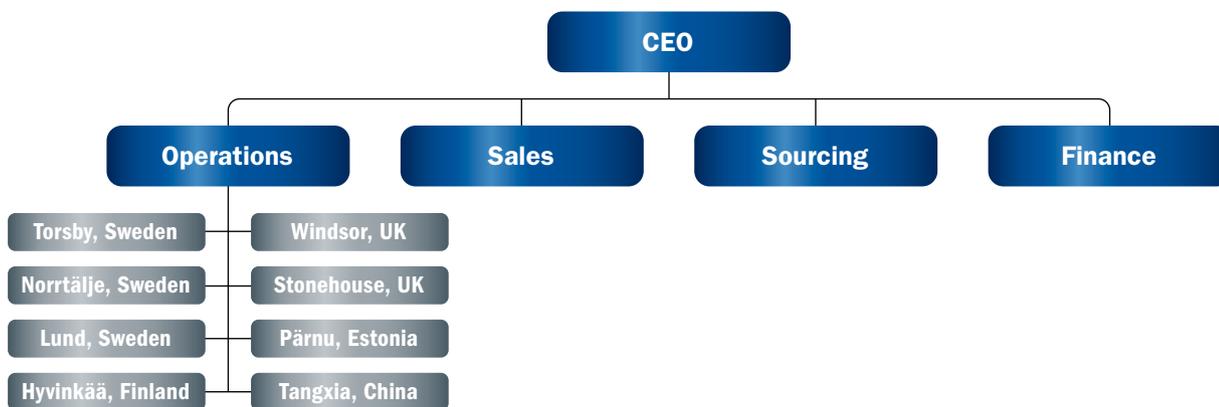
risk assessments are updated regularly.

For more information on risks and risk management, see Operations on page 13 and Note 24, Financial risks and finance policy on page 61-62.

Monitoring control activities

The monitoring of NOTE's units is in continuous development. The units' financial and operational progress is followed closely in various forums. Matters that are addressed include financial key ratios and monitoring of goal-oriented activities relating to quality, cost, delivery and growth.

The need for an internal audit function is evaluated yearly. Considering the group's size and scope, the Board of Directors considers that NOTE does not need a separate internal audit function. The practical management of internal controls is conducted by NOTE's finance function.



Auditor's report on the Corporate Governance Statement

**To the general meeting of the shareholders in NOTE AB (publ)
Corporate identity number 556408-8770**

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2019 on pages 28–33 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Discrepancies between reports

Swedish and English-language versions of this report have been produced. In the event of any discrepancy between the two, the Swedish version shall apply.

Niklas Renström

Authorised Public Accountant

Öhrlings PricewaterhouseCoopers AB

Stockholm, Sweden, 20 March 2020

Group management



**JOHANNES
LIND-WIDESTAM**



DAVID KRANTZ



HENRIK NYGREN



FREDRIK SCHULTZ

Position	Chief Executive Officer	Chief Procurement Officer	Chief Financial Officer	Chief Sales Officer
Employed	2018	2017	2006	2015
Born	1972	1980	1956	1972
Education	M.Sc. (Econ.)	M.Sc. (Eng.) in communications and transport systems.	M.Sc. (Eng.) in industrial engineering and management.	Graduate of the Swedish Air Force Officer Training School, political economics qualifications.
Other significant assignments	None.	None.	None.	Board member of Ivisys AB.
Professional experience	Experience of a range of executive positions, including serving as CEO of Kitron Sverige AB and Elos Medtech AB.	Long-term experience of procurement and supply chains in operational and executive positions with companies including Ericsson.	CFO and business controller of major listed Swedish and international industrial groups such as SSAB, Danaher Corporation and Snap-on Incorporated. Previous experience of business development and trade sales for companies including Retriva AB.	Many years' experience of the EMS sector from senior positions in supply chain, procurement and sales in multinational groups such as Flex and Enics.
NOTE shareholdings*	71,000 shares.	0 shares.	100,000 shares.	50,000 shares.
NOTE option holdings	565,000 options.	100,000 options.	165,000 options.	165,000 options.

* As per 28 February 2020, including contingent holdings by closely affiliated natural and legal persons and is reported in accordance with the Market Abuse Regulation.

Board of Directors



JOHAN HAGBERG



KJELL-ÅKE ANDERSSON



ANNA BELFRAGE



KAJ FALKENLUND

Position	Chairman	Board member	Board member	Board member
Elected	2017	2010	2019	2019
Born	1971	1946	1962	1958
Education	Political economist and mathematician.	M.Sc. (Eng.)	M.Sc. (Econ.)	Undergraduate qualifications in mathematics, physics and mechanical engineering.
Main occupation	Professional investor.	Directorships and consulting in corporate management.	Directorships and financial consultant.	COO/Deputy CEO of SkulFlex Holding AB.
Other directorships	None.	Chairman of the Board of Cervitrol AB and Domitech AB. Director of Mekatronik Konsult i Lund AB.	Board member of Ellevio AB, Isofol AB, Mycronic AB and Serneke AB.	Board member of SVETAK.
Professional experience	Former mathematics teacher, entrepreneur active in the entertainment industry, as well as cultural producer active within regional adult education provider ABF Stockholm.	Over 45 years' experience in industry, about 35 years in the EMS sector. Various positions including development engineer, production manager and CEO of companies including Electrolux and NOTE.	Broad-based experience of accounting and manufacturing. Previous positions include serving as CFO of ABS Group, Beijer Electronics Group and Södra Skogsägarna.	Eleven years as CEO of Skultuna Flexible AB. Long-term experience as Global VP of Supply Management, most recently with ABB.
NOTE shareholdings*	7,080,611 shares.	760,000 shares	0 shares.	1,675 shares.
Non-affiliated to company and management	Yes.	Yes.	Yes.	Yes.
Non-affiliated to major shareholders	No.	Yes.	Yes.	Yes.

* As per 28 February 2020, including contingent holdings by closely affiliated natural and legal persons and is reported in accordance with the Market Abuse Regulation.



BAHARE HEDERSTIERNA	CLAES MELLGREN	CHARLOTTE STJERNGREN	CHRISTOFFER SKOGH	JOHAN LANTZ
Board member	Board member	Board member	Employee representative, Board member	Employee representative, Deputy Board member
2015	2019	2019	2017	2017
1981	1959	1976	1975	1972
M.Sc. (Econ.)	M.Sc. (Eng.)	M.Sc. (Econ.) and B.A.	Senior high school graduate, social sciences programme.	M.Sc. (Econ.)
Vice President Global Sales of Knorr Bremse GmbH.	Business angel and non-executive director.	Partner and investor relations consultant at Cord Communications.	Sales Manager & Vice President of NOTE Norrtelje.	Business Development Manager of NOTE.
None.	Board member of AQ Group (Nasdaq Mid Cap) and Automation Region.	None.	None.	None.
Fifteen years within purchasing and supply chain in the vehicle industry. Broad experience of various global leadership roles in Sourcing at Volvo Cars and Volvo Trucks, most recently as Strategic Purchasing Manager for electronics at Knorr Bremse GmbH.	Founder of AQ Group, and the company's CEO between 2010 and 2018. Previously active as production, logistics and site manager at various ABB units.	Over ten years' experience as a Financial Analyst at investment bank Carnegie, focusing on telecom, IT and small caps. Broad-based experience as a finance journalist, most recently as Editor-in-Chief at finance channel EFN.	Former employee representative of NOTE from 2009-2014. Ten years' experience as an Account Manager. Broad-based experience of several functions including manufacturing, supplier development and strategic procurement.	Sales experience in various roles.
5,000 shares.	722,000 shares.	8,041 shares.	100 shares.	0 shares.
Yes.	Yes.	Yes.	Yes.	Yes.
Yes.	Yes.	Yes.	Yes.	Yes.